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INDUSTRIAL PRODUCTION FIGURES

Product	Jan-Jun 1987	Jan-Jun 87 as % of 1986
Electricity (b.kw.hrs)	836	104%
Petroleum (inc. gas cond.)(mil. metric tons)	309	102%
Nat. Gas (b.cu.mtr)	359	106%
Coal (mil. metric tons)	383	101%
Steel (mil. metric tons)	80.7	100.3%
Fertilizer (mil.tons)	18.1	103
Metal-cutting tools (mil. rubles)	1414	99
Robots (1000 units)	7.4	97
Computer Technology (bil. rubles)	2.5	107
Tractors (mil. hp)	25.9	94
Paper (mil. metric tons)	17.8	103
Cement (mil. metric tons)	68.0	102
Meat (mil. metric tons)	5.9	106
Margarine (1000 tons)	821	106
Watches (mils)	34.5	99.1
Radios (mils)	4.0	90
TV sets (mils)	4.2	90
Automobiles (1000s)	660	100.3

LIVESTOCK HERDS
(million head)

	July 1 1986	July 1 1987
Cattle	99.2	98.7
Cows	29.4	29.0
Hogs	60.2	59.1
Sheep & Goats	142.5	142.1
Chickens	788.7	785.8

INDUSTRIAL PRODUCTION FOR THE FIRST HALF OF 1987

There is some good news and some that is not. We normally do not quote the macro indices the Soviets publish because the weights are always suspect. However, according to Soviet statistics, there does seem to be an improvement between the second and first quarters of 1987. For example, the figures for industrial production for the second quarter show an increase of 4.4%, compared to 2.5% for the first quarter, when the weather was very cold. Similarly what the Soviets report as produced national income increased 3.6% in the second quarter of 1987, compared to only a 1% increase in the first

quarter. While this clearly reflects the bad weather of January and February, it does seem to indicate that Gospriemka (the quality inspection system) is not causing the number of problems in the second quarter that it did the first. That at least is what the macro indices show. Indeed Soviet statisticians report that there does seem to be a somewhat slower rejection rate of goods in the second quarter. Whereas in the first quarter the average of goods rejected was something like one hundred million rubles a month, now it is only ninety million rubles. The Soviets say the ninety million ruble figure is .8% of overall production.

However, a look at the individual industries for the first six months suggests that there are more significant problems. Again, while the production of basic commodities continues to grow, there do seem to be real problems with goods which have a higher value added and require more fabrication. Thus, production is below what it was in 1986 for an unusually high number of goods ranging from generators and turbines, which are only 78% of what they were in 1986, to motorcycles which are down to 89% of 1986 production. Moreover, there was a report by one senior Soviet official that wage penalties for many of the fifteen hundred factories which have been assigned quality inspectors are down an average of approximately 2 to 10%. That is a reflection of the fact that when production is deemed substandard, workers are not paid for those rejected goods.

At the same time, production of basic commodities, the traditional Soviet strength, continues to increase, even though in some cases the increase is moderate. Thus in steel production, the increase is less than 1%. Oil production is up 2% for the entire six month period, but for the first time in 1987, production for the month as a whole, compared to the same month last year, that is, July to July, is constant. That is the first time in sixteen months that production did not rise from the comparable month of last year. This could be a temporary phenomenon or it may indicate a slowdown in the production of petroleum. In contrast, natural gas production is up 6% for the month of June 1987 compared to June 1986, which is still somewhat lower than the 8 to 10% increases recorded a few years ago. Similarly coal production is up 3% for the month of June.

Other interesting features in the report of the first six months include the level of vodka and soft drink sales. Soft drink sales and production have been increasing. Thus fruit juice production was up 50% in the first six months of the year. However, other nonalcoholic drinks were up only 7%. Fruit and vegetable juice sales actually declined in the first six months and nonalcoholic drink sales rose only 9%. While the sales of alcoholic drinks fell by 22%, it is interesting to note that sugar production rose 14%. This seems to suggest that more and more people are making their own alcoholic beverages at home. That also corresponds to some of the criticism that Gorbachev has leveled at a slackening of the campaign against alcohol abuse.

Retail sales for the first six months show that meat sales are up 6% and fruit and citrus products sales were up 10%. The fruit sales, in particular, are impressive given the fact that there was such a severe winter this year which made it difficult to put fruit on sale earlier in the year, as would normally be the case.

Finally, wood product sales are up 14%, suggesting that there is a greater emphasis being put on do-it-yourself construction, a relatively new phenomenon in the Soviet Union.

BALANCE OF SOVIET TRADE FOR THE FIRST QUARTER OF 1987

In the official report of the Central Statistical Agency for the first quarter of 1987, it was reported that the volume of foreign trade for both hard and soft currencies shrunk by 15%. As a look at the trade figures for specific countries indicates, that drop approximates the drop in exports to the hard currency bloc. However, the drop in Soviet imports from the hard currency bloc fell by over 25%. That is why the trade deficit with the hard currency bloc for the first quarter was cut in half from 1.2 billion rubles in 1986 to just about .5 billion rubles in 1987. That has not been good news for exporters to the Soviet Union. For example, exports from Japan fell by over 200 million rubles. That makes up almost half of the drop. In addition, of course, the grain exporting countries also suffered. For example, exports from the United States fell by even more, that is by 400 million rubles. Those from Argentina also fell by about half.

Because we have several readers in Finland, we have decided in response to their requests to include Soviet export and import

figures with Finland. The Finnish account for the most part is done on a clearing or barter basis, but Finland is a major trading partner with the Soviet Union and should be listed to provide a fuller picture. For the most part, the trends of the hard currency bloc are not changed by the inclusion of Finnish trade figures. Thus, the trade deficit, including Finland, was cut in half in the first quarter of 1987 compared to 1986.

ANNOUNCEMENT OF CORPORATE SPONSOR SEMINARS

On the assumption that there will be a summit meeting sometime in November, the Russian Research Center has scheduled its annual Journalist Orientation for Monday, September 28. A program and application form are included with this newsletter.

In light of the interest shown in joint venture opportunities with the Soviet Union, we have scheduled a Corporate Seminar for Monday, October 26. Our intention is to examine the topic of joint ventures, focusing attention on opportunities in both the Soviet Union and China. We will try to determine why the Chinese, while not entirely successful, have more actively pursued the option of joint venture contracts than the Soviet Union and how Western experiences in Chinese joint ventures can to some degree inform us about what to expect in Soviet joint venture projects.

CURRENCY FIGURES

Rubles Purchased per 100	July 15 1987	July 22 1987
Austrian shilling	4.95	4.93
UK pound	103.52	103.53
FRG mark	34.78	34.67
US dollar	64.28	64.47
French franc	10.44	10.41
Japanese yen	.424	.422
Italian lira	.0480	.0480
Swiss franc	41.67	41.63

THE RUSSIAN RESEARCH CENTER takes no official stand on any economic or political trend. The views and analyses expressed in this Newsletter are those of the authors directly associated with the article, or unless otherwise stated, with those of the editors, Marshall I. Goldman and Catherine Reed. RRC @ 1986

SUBSCRIPTION RESPONSE CARDS

We want to thank our readers for the overwhelmingly high response rate to the subscription card request which accompanied the July issue of the Economic Newsletter. Boxes of cards have been received to date and the level of response is quite gratifying.

Please note that you have until September 1 to return the card in order to continue receiving the newsletter. All those not responding by that date will be removed from our mailing list. If you have lost or misplaced the card, just drop us a note on a standard post card.

Thanks also for the kind words which accompanied many of the requests for renewal.

Name: _____ (Please print)

Please keep my name on your Newsletter mailing list: _____

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ATTN: Marshall I. Goldman

BALANCE OF TRADE - 1st QUARTER OF 1981, 1982, 1983, 1984, 1985, 1986, 1987

(Million Rubles)

	EXPORTS FROM THE USSR							IMPORTS TO THE USSR						
	1981	1982	1983	1984	1985	1986	1987	1981	1982	1983	1984	1985	1986	1987
Austria	189	196	149	167	142	155	87	137	119	188	230	166	236	146
Belgium	105	280	230	194	178	143	151	125	198	152	142	149	156	96
Great Britain	148	219	227	307	252	246	303	300	169	208	183	166	150	159
Greece	99	121	36	84	107	47	41	30	37	35	32	27	18	10
Denmark	31	94	68	60	61	34	22	108	29	19	36	21	42	22
Spain	65	30	68	54	47	13	85	131	61	84	65	107	61	35
Italy	474	589	745	721	388	334	381	247	292	392	294	302	293	397
Netherlands	189	317	378	371	103	107	123	158	142	129	58	68	70	64
Norway	20	9	10	29	10	10	8	20	17	18	27	15	24	14
Germany	477	1001	851	1119	773	862	547	722	744	940	800	838	786	712
France	485	471	432	572	407	361	311	468	348	491	473	509	428	325
Switzerland	15	87	139	83	71	89	76	181	118	121	90	134	135	168
Sweden	30	66	116	129	83	66	78	105	101	72	67	79	65	68
Japan	201	187	196	195	208	230	207	609	801	654	520	570	577	351
SUBTOTAL	2528	3667	3645	4058	2830	2697	2420	3391	3176	3503	3017	3151	3041	2567
Sub-Balance of Trade								-863	+491	+142	+1041	-321	-344	-147
U.S.A.	12	23	54	83	75	71	59	573	980	526	580	1005	507	103
Canada	17	7	4	3	6	3	6	137	148	243	86	84	124	110
Australia	2	2	1	5	1	3	1	252	130	202	137	202	206	108
New Zealand	1	2	1	1	--	1	1	50	109	88	22	23	36	18
Argentina	12	8	7	6	12	26	3	349	310	367	323	296	59	80
Brazil	2	44	4	42	24	21	16	138	148	93	161	57	92	23
TOTAL	2574	3753	3716	4225	2948	2822	2506	4890	5001	5022	4326	4818	4065	3009
Balance of Trade								-2316	-1248	-1306	-101	-1870	-1243	-503
Finland	473	459	460	425	392	378	331	516	672	781	669	524	443	471
Including Finland	3047	4212	4176	4650	3340	3200	2837	5406	5673	5803	4995	5342	4508	3480
Balance of Trade with Finland								-2359	-1461	-1627	-345	-2002	-1308	-643